IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1943.

Nos. 54, 55

THE MERCOID CORPORATION,

Petitioner,

vs.

MID-CONTINENT INVESTMENT COMPANY AND MINNEAPOLIS-HONEYWELL REGULATOR COMPANY,

Respondents.

BRIEF FOR RESPONDENT MID-CONTINENT INVESTMENT COMPANY

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TO THE HONORABLE THE CHIEF JUSTICE OF THE UNITED STATES AND THE ASSOCIATE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

Foreword.

This is a patent suit involving Cross patent No. 1,758,146, issued May 13, 1930, on an application filed November 11, 1926, owned by respondent, Mid-Continent Investment Company (herein called Mid-Continent).

The Cross patent was held valid and infringed in the Eighth Circuit, both by the District Court and the Court of Appeals, in a suit sometimes referred to herein as the Missouri suit. (*Smith v. Mid-Continent Investment Co.*,

106 F. (2d) 622.) Petitioner, The Mercoid Corporation (herein called Mercoid), controlled the defense of that suit (R. 52).

Mid-Continent later brought a suit against Mercoid on the same patent in the Seventh Circuit, herein referred to as the Illinois suit. Minneapolis-Honeywell Regulator Company (herein called Honeywell), exclusive licensee under the Cross patent, was brought into the Illinois suit by Mercoid as an unwilling plaintiff and as a defendant to a counterclaim.

In the Illinois suit the District Court dismissed the complaint and the counterclaim (R. 744). The Court of Appeals reversed the lower court's dismissal of the complaint and affirmed its dismissal of the counterclaim (R. 909). Thus, two Circuit Courts of Appeal and one District Court have held for respondent, Mid-Continent, and against petitioner, Mercoid, while one District Court has ruled in part to the contrary.

Opinions Below.

In the Illinois suit the District Court, without opinion, entered Findings of Fact, Conclusions of Law, and a Decree (R. 736-745) submitted by Mercoid's counsel, as reported in 43 F. Supp. 692, dismissing the complaint and disallowing a counterclaim. The Circuit Court of Appeals for the Seventh Circuit reversed the District Court's rulings in all respects except that it affirmed the dismissal of the counterclaim (R. 909). The Circuit Court of Appeals also specifically reversed the District Court as to certain of the Findings of Fact and Conclusions of Law (R. 919, 920). The Court also held that the Missouri suit was *res adjudicata* "As to all questions which were there decided or which might have been put in issue in that case" (R. 922).

A petition for rehearing was filed by Mercoid (R. 926) and denied (R. 927). A petition to this Court for writ of certiorari was then granted (R. 932).

In the Missouri suit the District Court held the Cross patent valid and infringed. The decision by Judge Reeves, *Mid-Continent Investment Company* v. *Smith*, is reported in 35 U. S. P. Q. 204 and is also included in the Transcript of Record in the Missouri suit (Pl. Exh. 27, P. 95), certified to this Court as one of the physical exhibits. The decision of the Court of Appeals of the Eighth Circuit affirming the lower court is *Smith* v. *Mid-Continent Investment Company*, 106 F. (2d) 622. A petition for rehearing was denied October 9, 1939. No petition for a writ of certiorari was filed.

The complete defense of the Missouri suit by Mercoid is recited as Finding of Fact No. 16, appearing on page 14 of the Transcript of the Missouri suit, *supra*, and is pleaded by Mercoid in the case at bar (Answer, paragraph 46, R. 52).

Jurisdiction.

The jurisdiction of this Court apparently is invoked under Section 240 (a) of the Judicial Code as amended by the Act of February 13, 1925.

Questions Presented.

The questions presented are stated on page 4 of the petition, and the alleged errors are stated on page 4 of petitioner's brief. The relationship between the questions and the alleged errors is not clear. For example, question No. 1 relates to contributory infringement. Alleged error No. 1 relates to alleged misuse of the patent. We think that the questions raised by petitioner relate to

(1) Contributory Infringement
(2) Alleged Misuse of the Patent
(3) Alleged Violations of the Anti-Trust Laws, and
(4) Res Adjudicata.

We will consider pages 28 to 36 of petitioner's brief unde (1); pages 9 to 28 under (2); pages 36 to 44 under (3) and pages 44 to 51 under (4).

Statement of the Facts.

The facts are being restated independently of the stat ment in petitioner's brief because important facts a omitted from that statement.

The invention of the Cross patent comprises three mai elements, including a motor driven stoker for feeding fu to the combustion chamber of a furnace, a room therm stat for controlling the feeding of fuel, and a holdfire co trol connected in parallel with the room thermostat to t stoker motor and located in such a position as to be r sponsive only to the temperature of the combustion gas to prevent extinguishment of the fire.

The system operates in such a way that when the roo thermostat calls for heat a switch will be closed, causi the stoker motor to operate to feed fuel to the combusti space in the furnace. When the required temperature in t room or space to be heated has been reached, the roo thermostat operates to open the circuit to the motor a prevent further feeding of fuel to the combustion spac

On warm or mild days, which occur for the most pa during the Spring and Fall seasons of the year, the roo thermostat may not call for heat for a considerable peri of time. When this occurs the holdfire control operat closing a switch in response to a low temperature in t furnace causing the stoker to feed fuel, *to prevent the fu nace fire from going out.** After the temperature ris the holdfire control opens the stoker switch and stops t further feeding of fuel. This sequence of operations repeated at intervals of time during periods that the roo thermostat does not call for heat. This combination of

* All emphasis ours unless otherwise indicated.

room thermostat and holdfire switch is known as a dual thermostatic control (R. 117).

The first owner of the Cross patent was the Cross Coal-O-Matic Company which manufactured, sold and installed coal stokers and went out into the field and *actually installed in private homes the heating system covered by the Cross patent back in the years 1928, 1929 and 1930* (R. 67). In September 1931 the physical assets of Coal-O-Matic were sold to Butler Mfg. Co., a stoker manufacturer, and a license granted under the Cross patent. In December 1931 Cross and Butler joined in granting a license to Minneapolis-Honeywell (Pl. Exh. 6; R. 73, 450). In June 1932 the Cross patent was assigned to respondent, Mid-Continent, subject to these licenses (Pl. Exh. 5; R. 65, 449). During 1931 petitioner, Mercoid, had also considered taking a license but eventually decided against it upon advice from its counsel that the patent was invalid (Def. Exh. E-E; R. 334, 639).

The reason that Minneapolis-Honeywell took a license under the patent was because it began the manufacture of holdfire controls for use in heating systems covered by the Cross patent in 1929 or 1930, which was *at least three years after the filing date of the patent and after Coal-O-Matic had made several installations of the Cross Invention.* Minneapolis-Honeywell could not go back of the filing date of the patent and therefore concluded that its sale of the holdfire control with knowledge and intent that it be used in combination with other elements in a Cross system after the issuance of the Cross patent would make it a contributory infringer (R. 429).

The parties to the license agreement recognized that the patent covered a combination of elements and not any particular element *per se* and, therefore, *royalties were to be paid only on each system* or each time that the patented combination of elements came into existence. While the

other elements of the combination may have had other uses, it was conceded that the main use, and perhaps the only use, for the holdfire switch would be in the Cross system (R. 428). It followed that each sale of a holdfire switch together with distribution of wiring diagrams showing the switch mounted in the stack and connected in parallel with the room thermostat would establish the existence of a heating system covered by the Cross patent. For this reason, royalty payments were based on what were known to the parties as "combustion stoker switches." This switch was further defined in the license as a combination stoker control unit including an automatic electric switch responsive directly to temperatures of combustion gases or boiler water produced by an automatic coal-fuel stoker and adapted,

> *in combination with other devices and apparatus, for the control of automatically operated coal-fuel stokers to prevent the extinguishment of its fire when operated under low heat requirement conditions* (R. 89).

In 1938 a new agreement was entered into between Mid-Continent and Minneapolis-Honeywell (R. 73; Pl. Exh. 7; R. 73, 458). The main differences between these two agreements were in the amounts of royalties to be paid (R. 73) Otherwise, they were substantially the same (R. 89, 91)

As evidenced by Mercoid Catalogue No. H-5, 1929 (Def. Exh. E; R. 521) Mercoid made and sold *for the first time* a limit switch designated as Type M-51 (R. 200). This switch was brought out *three years after the filing date of the Cross patent* but before it issued, and was primarily designed to prevent the overheating of warm air furnaces, although *it could be used as a stack switch for fire maintenance purposes* when connected properly into the circuit. There is no complaint as to the M-51 switch because there is no conclusive evidence that it was made and sold with knowledge and intention that it was to be used in the Cross system as a holdfire control.

However, *after the issuance of the Cross patent*, and

particularly about June of 1931 (R. 110), Mercoid introduced to the trade a device which was designated as the Type M-61 control (Def. Exh. K; R. 228, 562), and *which was specifically designed for mounting in the stack of a furnace for purposes of fire maintenance during those periods of time when the room thermostat did not call for heat* (R. 74, 220). This M-61 control (Pl. Exh. 49; R. 303) differed from the M-51 in three main respects. It had a shorter stem and bimetallic coil *which would enable it more easily to be installed in the stack of a furnace.* It was equipped with a curved flange *which particularly adapted it for mounting in the stack,* and it was provided with a stainless steel well which was adapted to fit over the bimetallic coil *to protect it from corrosion by flue gases* (R. 225, 226, 276). This later addition of the stainless steel well, however, was not brought out until approximately 1933 (Pl. Exh. 12; R. 78, 472) since it took Mercoid that long to find out that when switches were mounted in the stack of a furnace the bimetallic element would be subject to corrosion by flue gases. Not having been confronted with this problem before, because the problem does not exist to any great extent except when the switch is mounted in the stack, Mercoid developed the well to cover the bimetallic element and protect it from the flue gases.

Prior to the Cross invention there was no demand for such a stack switch and the Cross invention created such a demand (R. 70). This fact is further evidenced by reason of the phenomenal growth, in 1930, the year the Cross patent issued, of the stoker industry (R. 219). In that same year the stoker control became a substantial factor in Mercoid's business and Mercoid unlawfully supplied the demand which was created by the Cross invention (R. 269).

In all of the catalogs and literature published by Mercoid and its predecessor in business *Mercoid had never advertised any of its controls as a fire maintenance or holdfire*

control until the advent of the M-61 switch (R. 267). *T was the first control advertised as a fire maintena switch. In connection with this switch Mercoid sent bulletins and catalogs including wiring diagrams show the M-61 control located in the stack of a furnace and c nected in parallel with the room thermostat for the p pose of dual control of the stoker motor* (Def. Exh. K; Exh. 12, 15; R. 472, 474), pursuant to the teaching of Cross patent.

Respondent, Mid-Continent, since 1932, and its predec sor prior to that year, was diligent at all times in asserti its rights under the Cross patent by notifying infring and bringing suits. From time to time both Mid-Contin and Minneapolis-Honeywell informed various manufact ers and dealers of heating equipment of their rights un the Cross patent. As early as September 28, 1932, M Continent notified the Brownell Company of Dayton, Ol that it considered the sale of any control for use in a he ing system where it was actuated by a predetermined m imum temperature in the combustion space for prevent extinguishment of the fire when operating under low h requirement conditions to come within the scope of patent (Def. Exh. G-G; R. 340, 647).

On November 21, 1932, Mid-Continent also sent a let to Mercoid, as it was forced to do to protect its rights un the patent, notifying Mercoid that it considered the s of the M-61 stoker control *when used in a Cross syst* to be an infringement of the patent (Def. Exh. L-L; 345, 657).

In 1933 Mid-Continent brought suit against a user a furnace installation in Missouri which employed contr made by the Penn Electric Switch Company. That compa controlled and conducted the defense of the suit (R. 88, 8 After a consent decree for the plaintiff was entered, Pe Electric ceased the manufacture and sale of controls wh

were to become a part of a system or combination covered by the claims of the Cross patent.

On June 2, 1934, Mid-Continent sent a letter to Fairbanks-Morse and Company, similar to previous letters, notifying them of its rights under the Cross patent (Def. Exh. M-M; R. 346, 659).

In February, 1932, Minneapolis-Honeywell also sent letters to the Brownell Company and to the Will-Burt Company at Orrville, Ohio, notifying them of its rights as exclusive licensee under the Cross patent (Def. Exh. G-G; R. 340, 641 and Def. Exh. H-H; R. 342, 649).

In 1935 Mercoid again expressed its desire for a license under the Cross patent and, after conferences and correspondence (Def. Exh. P-P; R. 387, 684), a license agreement was offered to Mercoid by Minneapolis-Honeywell (Def. Exh. Q-Q; R. 387, 689). The license was refused.

Also, in 1935 Mid-Continent brought suit against E. O. Smith, a user of a heating system employing Mercoid controls and particularly the M-61 (Pl. Exh. 27; R. 95). *The defense of that suit was controlled and conducted by the present petitioner, Mercoid, with the knowledge of respondent, Mid-Continent* (Pl. Exh. 27, p. 14). In the Smith installation a Mercoid M-61 switch was located in the stack of the furnace and was connected in parallel with the room thermostat for fire maintenance purposes when the room thermostat did not call for heat. An M-51 switch was also located in the bonnet of the furnace to prevent overheating (R. 116, 117; Pl. Exh. 37; R. 67).

After termination of the Smith suit on appeal, where the District Court's holding that the patent was valid and infringed was affirmed by the Circuit Court of Appeals for the Eighth Circuit in 1939, Mid-Continent assumed that, since Mercoid had made and sold the M-61 switch with knowledge and intent that it be used in an infringing installation, Mercoid would either cease its infringing actions

or take a license under the Cross patent as well as pay damages for all of the M-61 switches so made and sold. For this reason, Mid-Continent wrote Mercoid a letter to this effect on November 24, 1939 (Def. Exh. R-R; R. 400, 703). Further correspondence (Pl. Exh. 31, 32, 33, 34, and 35; R. 497-503) and conferences between Mid-Continent and Mercoid, wherein Mercoid for the third time expressed its willingness to take a license under the patent, led to the preparation and submission to Mercoid of a license agreement (Def. Exh. S-S; R. 402, 713). This license agreement was also refused.

After suit had been brought against Smith in 1935, Mercoid began the manufacture and sale of still another device designated as the Type TJV Stokatherm which operated in conjunction with the M-11 Pyratherm for fire maintenance purposes (R. 128; Pl. Exh. 10; R. 78, 465; Pl. Exh. 42 and 43; R. 80). While the TJV system was a later development and perhaps an improvement over previous fire maintenance controls, Mercoid continued to recommend the M-61 at this time (R. 266).

The TJV system, although incorporating certain improvements over the M-61 control, nevertheless still *functions to prevent the fire from going out during periods when the room thermostat does not call for heat.* In the operation of this later device the M-11 Pyratherm was provided with a bimetallic coil extending into the stack which would operate to close a switch upon a falling temperature, which in turn started a timing device and after a predetermined period of time and under ordinary conditions before the fire went out would start the stoker operation (R. 129, 236). Upon a rising temperature the M-11 switch would operate to stop the stoker operation, *thereby preventing extinguishment of the fire when the room thermostat did not call for heat.*

After the District Court handed down its decision in the *Mid-Continent* v. *Smith* suit holding the patent valid and

infringed in 1938, Mercoid stopped the manufacture of the M-61 (R. 265). Also, at this time Mercoid introduced the latest device, which is designated as the Type JMV Stokatherm (Pl. Exh. 19, R. 79, 481 and Pl. Exh. 44, R. 80). The JMV is, in substance, a combining of the TJV and M-11 into a single unitary structure (R. 139, 272). This latest accused device *is also a fire maintenance or holdfire control and is mounted in the stack* and operates to close a switch upon a falling temperature which starts the stoker operation after an interval of a certain period of time and before the fire goes out. Thereafter, upon a rise in temperature, the stack switch opens to stop the stoker operation (R. 138). *Both of these later devices do indirectly what the M-61 accomplished more directly in so far as fire maintenance is concerned* (R. 131).

The validity of the Cross patent was admitted in Mercoid's Answer (R. 44), repeatedly conceded at the trial, and was not in issue in the courts below (R. 82, 149, 190, 205, 258), the validity being *res adjudicata* by reason of the earlier suit brought by Mid-Continent against an actual user of a domestic heating system employing the Mercoid M-61 control, the defense of which suit was conducted and controlled by Mercoid.

Infringement was an issue in the courts below, more particularly as to systems using controls of the types designated as Types TJV and M-11, and JMV. However, infringement is not an issue in this Court, because it was not raised by petitioner.

Mid-Continent Has Merely Sought to Enjoin as Contributory Infringement the Sale by Mercoid of Devices Specially Designed and Adapted to Enter Into the Combination of the Cross Patent and Sold by Mercoid With Wiring Diagrams and Instructions to Enable the Purchaser to Assemble Mercoid's Device Into That Combination.

In its brief Mercoid repeatedly makes the statement that Mid-Continent is endeavoring to monopolize an unpatented device, and is seeking to restrain as a contributory infringer the maker and vendor of "an unpatented part for use by the purchaser in practicing the patented invention."

While it is true that the device which Mercoid makes and sells is "unpatented" in the sense that it is not separately covered by one of the claims of the Cross patent, it is also true that the devices which plaintiff seeks to enjoin are not conventional articles of commerce, but are devices especially designed and adapted by Mercoid for use in the patented combination, and invariably sold by Mercoid with wiring diagrams and instructions intended to enable the purchaser to complete the patented combination of the Cross patent claims.

The patented combination includes several elements such as the "combustion pot", the "means for feeding fuel thereto", the "combustion space", and the "room thermostat", which are found in many familiar forms. No effort has been made to control the sale of these devices under the Cross patent (R. 108). The final element of the claim, however, is the "separate thermostatic control actuated by predetermined minimum temperatures in said combustion space for preventing extinguishment of the fire when operating under low heat requirement conditions" (R. 785).

Mercoid has not attempted to provide a stock unpatented article as the final element of the combination, but

has specially devised a unit for that purpose (R. 360, 370, 468, 476-478).

With each of these controls specially designed and adapted for the purpose of completing the combination claimed in the Cross patent, Mercoid invariably provided the wiring diagram and instructions typified by Plaintiff's Exhibits 10, 12, 14, 15, 19, 20, etc. (R. 465-470, 472-473, 475-476, 481-484, 485).

Mid-Continent has sought no relief other than the restraining of the continuance of this contributory infringement (R. 105).

SUMMARY OF ARGUMENT.

1. Contributory Infringement.

Mercoid sells three special devices which it has designed to satisfy the structural and functional specifications of the final element of the Cross patent claims, and with these devices has provided instructions and wiring diagrams solely for the purpose of enabling the purchaser to assemble the special device into the patented combination. This type of control is the active essential element of the Cross patented combination, and when installed as directed by Mercoid insures the assembly of the patented combination.

The conduct of Mercoid sought to be enjoined is substantially identical with that held to be contributory infringement by this court in *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U. S. 325, and similarly identified by this Court in *United States* v. *Univis Lens Co.*, 316 U. S. 241, 249.

2. Mid-Continent's Alleged Misuse of the Patent.

Mid-Continent has sought to exploit its patent by licensing manufacturers with whom it was not in competition. It has not sought to derive royalties or compensation from any source other than the licensing of stoker control systems embodying the Cross invention. Employment of the number of special controls designed and sold by the licensee to be incorporated in such a system as the method of computing royalties is wholly proper.

Mid-Continent has never sought to monopolize or restrain the sale of any unpatented articles in commerce and has merely sought to enjoin contributory infringement by the unlicensed manufacture and sale of special controls designed to be assembled into the patented system.

Mid-Continent and its licensee have freely offered to license competitors manufacturing and selling special controls for use in the patented system. No misuse of the Cross patent has been shown.

3. Alleged Violation of the Anti-Trust Laws.

Mid-Continent's effort to derive its income from its patent by licensing manufacturers of specially designed controls entering into the patented system and seeking to halt unlicensed contributory infringement of the patent is not condemned by the anti-trust laws; but is merely the exercise of a right of the patentee recognized by this Court.

Mercoid shows no breach of the anti-trust laws and shows no damage to it from the conduct complained of.

In any event damages are not recoverable in this suit in equity. *Fleitmann* v. *Welsbach Street Lighting Co.*, 240 U. S. 27. *Decorative Stone Co.* v. *Building Trades Council*, 23 F. 2d 426.

4. Res Adjudicata.

Mercoid contested with Mid-Continent the validity of Mid-Continent's patent in the suit of *Mid-Continent* v. *Smith*, 106 F. (2) 622. Mercoid is, therefore, foreclosed from contesting in this Court any issue there decided or any issue which might have been there litigated.

Mercoid has conceded in its answer in this case that the Cross patent is valid, and has disclaimed any assertion of invalidity. The other issues sought to be contested here were available to Mid-Continent in the suit tried in the Eighth Circuit, and therefore are not proper subjects of litigation in this suit.

The doctrines of *res adjudicata* and the necessity for the orderly conduct of litigation demands that Mercoid be denied relief.

ARGUMENT.

1. Contributory Infringement.

This is the subject matter of petitioner's first question and its second alleged error. When considering the question of contributory infringement the Court should concern itself only with the *actions of the defendant* (Mercoid). In other contested issues to be discussed later, the actions of the plaintiff become controlling. The two are not to be confused, however. The actions of the plaintiff can have no possible bearing on the question of contributory infringement because, regardless of what the plaintiff has or has not done, it will not affect or place in any different light the actions of the defendant as regards contributory infringement. This section, therefore, will relate solely to the actions of the defendant.

Mercoid contends that it is not a contributory infringer because the patent claims call for a combination of elements, whereas it sells only a part of the combination. Now, as a matter of fact, every contributory infringer of a combination patent does something less than infringe the entire patent, otherwise he would be a direct infringer.

The conduct of which Mid-Continent complains and which it contends is a contributory infringement of the Cross patent is Mercoid's method of doing business whereby it *teaches its customers how to infringe the Cross patent in order that it can sell a special type of device designed for use as one of the active and controlling elements of the patented combination and not sold for any other purpose except as incidental to its use in said combination.*

The particular devices which Mercoid has sold with wiring diagrams and other instructions showing how they are

to be used in the patented combination are three, known respectively as (1) the M-61, (2) the TJV and M-11, and (3) the JMV controls. The record does not show that these controls were ever used for any other purpose except as incidental to their use in the Cross type installation (R. 294 and 295) and if there were any other *actual* use of these controls Mercoid was in a special position to prove it and failed to do so.

Mercoid's expert, who was also its chief engineer, testified (R. 294 and 295) with respect to the M-61 control as follows:

> "Q. In any event, the M-61 on the literature which you were showing to us was used for only two purposes, and those are the two purposes which you stated here; first, to prevent extinguishment of the fire, and, secondly, as a high temperature control, is that right?
>
> "A. That is correct; yes.
>
> "Q. Did the Mercoid Corporation ever recommend in a diagram the use of an M-61 for that second purpose, which diagram did not show its use for the first purpose?
>
> "A. I do not believe we ever did, because the two would tie together."

Thus, this control was designed, advertised and primarily intended for use in the patented system. The mere fact that a secondary or incidental function was added to the patented system would certainly not serve to avoid deliberate and intentional infringement. The fact remains that all of the devices mentioned were designed and brought out after the Cross invention and after the issuance of the Cross patent to fulfill a demand for a type of stoker system created by that patent. Mid-Continent did not complain as to Mercoid's conduct except in those instances where special devices were brought out to fulfill the need created by the patent and where Mercoid went out of its way to sell those devices by advertising them with wiring diagrams showing infringing installations.

With respect to Mercoid's brief and particularly the part on pages 5 to 9 and 28 to 35, it is noted that great stress is laid on the magic word "unpatented". If the use of this term is intended to convey the thought that the part of the infringing installation sold by Mercoid is not covered *per se* by the Cross patent then it is important to remember that the same was true in *Leeds and Catlin v. Victor Talking Machine Company*, 213 U. S. 301, in which neither the record nor the stylus was covered by itself by any of the claims of the patent, which were combination claims. This is always true in a contributory infringement case.

If the term "unpatented" as employed by Mercoid is used in the sense that there are no patents covering the device *per se* such use is believed to be immaterial to the issues. As a matter of fact, Mercoid claims that these special controls are patented (R. 737). One of the reasons that the District Court dismissed the complaint was because it was deliberately misled into the erroneous belief that anyone who held a patent on a device had the right to use that device in any way he chose regardless of the existence of other patents (R. 190, 255, 428).

The District Court did not understand that a patent grants to the patentee merely the right to exclude others from making, using and selling the patented invention, *but it does not give him the affirmative right to use it because there may be other patents dominating it.* For example, the patentee of an improvement on a machine, which machine itself is patented, has no right to make, use or sell the patented machine with the improvement thereon. Nor does the owner of the patent on the machine have any right to make or use the patented improvement. Once this fundamental principle is understood, it is clear that the question of contributory infringement must be resolved without regard to whether the contributory infringer may have patents on the element he sells. That

the District Court failed to understand this principle is shown by the questions of the Court to the witness Sweatt, a witness for Minneapolis-Honeywell, and the ensuing colloquy (R. 428-430):

"Q. In other words, you were manufacturing a temperature control before you received this license agreement?

A. Yes, sir.

Q. And you are still manufacturing the same temperature control with perhaps some variation?

A. We had only put it on the market a very few months before the Cross patent came out.

Q. Independently of the Cross patent?

A. Before we knew about the Cross patent.

Q. You are manufacturing that and you are still manufacturing that under some individual patent right,—that particular appliance?

A. There may be other patents. We may have other patents on that specific device.

Q. That is, that particular device is something which you had before you received this license agreement and something which you still have?

A. Yes, sir.

Q. You put that into the Cross patent and when you did that you got into a thing which is a patent system of heating, as I take it?

A. I don't understand.

Q. When you put that particular appliance in conjunction with a system of heating you are operating under the Cross patent?

A. That is correct.

Q. You can sell that to somebody else for some other purpose?

A. It would have no other purpose.

Q. It would have no other purpose? It is just manufactured—

A. For stoker control.

Q. For the purpose for which it was manufactured before you ever got the license agreement?

A. For stoker control, the same purpose.

Q. Why did you need a license agreement if you

were manufacturing that stoker control and you were authorized? Why did you do it this way?

A. We brought out this device prior to the publication of the Cross patent.

Q. I understand that. You were protected by a patent?

A. No, sir.

Q. You were not?

A. No, not this use of system.

Q. Upon that particular thing you were protected with a patent?

A. I don't think we had any patents at that time. We probably applied for some.

Q. Have you since secured one upon that appliance?

Q. I can't answer that question.

Mr. Freeman: Perhaps I can help a little here, if I may.

The Court: I wish you would.

Mr. Freeman: Mr. Sweatt has stated in answer to your question they were on the market or had come out shortly prior to the issue of the Cross patent. Now, the Cross patent was applied for in 1926 and what Minneapolis-Honeywell did was some time subsequent to 1926, but still prior to the issue of the Cross patent, and Mr. Sweatt further stated—

The Court: They did what?

Mr. Freeman: They did come out with a specific control adapted for doing this job and this job alone.

The Court: He said before he heard of the Cross patent.

Mr. Freeman: That is correct.

The Court: Doing what job?

Mr. Freeman: Doing the job of a hold fire, maintaining the combustion, proper combustion in the furnace, so that the fire would not go out when the room thermostat did not call for heat on a warm or mild day.

The Court: Regulated by the temperature or by this appliance?

Mr. Freeman: That is correct.

What Mr. Sweatt said is that his company came

out with a specific control to do a specific job. I do not think he intended to say they were making this for a long period of time. They had made temperature controls.

The Court: But I did understand him to say they had perfected the appliance and had brought it out before he ever heard of the Cross patent.

Mr. Freeman: That is correct.

The Court: I want to find out why he would take the Cross patent.

Mr. Freeman: You can answer that question.

The Witness: A. *Because the moment we sold those devices with wiring diagrams and so on to apply to a stoker control for this purpose we felt that came under the claims of the Cross patent.*

The Court: You believed that?

A. We believed that came under the Cross patent.

Q. And you were not permitted to sell any more of those appliances in connection with the heating control system, in connection with the stoker, because it might violate the Cross patent?

A. If our opinion was correct, yes.

Mr. Freeman: That is our position, speaking for the Minneapolis-Honeywell Company.

The Court: Q. *Is it possible that patent, that is, one man has a patent on an appliance and somebody else can come along and aggregate that and say you can't use your patent appliance because I have a patent which now consists of a combination of these different things?*

Mr. Freeman: Let me say this—

The Court: Isn't that about where we are in this lawsuit?

Mr. Freeman: Yes.

The Court: Is that the law?

Mr. Freeman: Yes, sir.

The Court: We don't have to go any further. You can argue that a little later as the law that comes within this lawsuit. *I can't understand that to be the law.*"

Also, it is quite apparent that the District Court failed to understand that a device which was put on the market

after the filing date of a patent infringes after the issuance of the patent. In other words, the Court did not realize that the filing date had any significance as evidencing the date on which the invention was made, nor did it realize that there might be a substantial period of time between the filing of the application for the patent and its issuance.

The Cross patent application was filed in 1926 and the patent issued in 1930. The development of Cross type stoker systems by the Cross Coal-O-Matic Company was begun while the patent application was still pending. The same was true with respect to Honeywell's developments, as evidenced by the previously quoted testimony of Mr. Sweatt. Mercoid never brought out any of its especially adapted controls for use in the Cross type installation until after the issuance of the Cross patent and even some of its other controls, such as the M-51, were not brought out until after the filing date of the Cross patent. No complaint was made by Mid-Continent with respect to these controls, nor did Mid-Continent have any evidence that Mercoid advertised them with wiring diagrams showing how they were to be used in a Cross type installation.

The expressions "holdfire control" and "combustion stoker switch" were coined terms originating after the Cross invention to describe controls especially adapted for use in a Cross type installation to maintain the fire bed in a furnace in response to furnace temperatures during periods of low heat requirements when the room thermostat would not ordinarily call for heat. This type of control is the active essential element of the heating system which functioned in response to furnace temperatures to operate the stoker motor when the temperature in the furnace or the stack reached a predetermined minimum below which there was danger that the fire might go out.

The District Court in Missouri, the Circuit Court of Appeals for the Eighth Circuit, and the Circuit Court of Appeals for the Seventh Circuit all held that the Cross

patent was a *basic* patent and, as such, entitled to a broad interpretation. It is a fact that the stoker industry began to make tremendous strides about the time the Cross patent issued (R. 70, 87). It is also a fact that fire maintenance in small domestic stokers during periods of mild weather when the room thermostat would not ordinarily call for heat was one of the principal problems which had to be solved (R. 66, 231). Until that problem was solved, stoker operation was not satisfactory for obvious reasons which anyone who had a stoker in the early days would readily recognize. For example, the room thermostat might not call for heat over a long period of time, with the result that the fire would go out; then the room thermostat would call for heat, causing the stoker to operate and fill the cold unlighted furnace full of coal which would have to be removed in order to relight the fire. If the home owner were not diligent he might very well have coal all over his basement (R. 70).

Mercoid's own literature proves the soundness of Cross' solution to the problem and, incidentally, describes the advantages of the Cross solution to the problem, as distinguished from another solution frequently referred to as the "timer system", which was a system in which the fire was maintained by operation of the stoker at predetermined intervals regardless of furnace temperatures (R. 231, 232). It is significant that Mercoid states, "Controls were not available which had been designed especially to meet the many variable conditions encountered on domestic stoker installations" (R. 231).

The first bulletin which Mercoid put out relating to the M-61 stoker control was Bulletin A-14, which was printed on February 8, 1931 (R. 220; Def. Exh. K; R. 228, 562). On page 7 of this bulletin (R. 568) there appears a cut of the M-61 control and the descriptive matter of this control, which includes the following statement,

"When this control is mounted in the stack, set for

> a low operating temperature, approximately 115 to 130° F., and connected in parallel with the thermostat circuit, it will operate the stoker intermittently for short periods at a time, when the thermostat is in the 'off' position. This will not only prevent the fire from going out but will also maintain a low and even fire bed. (See wiring Diagrams)."

We wish to impress upon this Court that this Bulletin A-14 (Def. Exh. K) is *the first time in any Mercoid literature which suggested the use of any control as a holdfire switch and it was not published until after the issuance of the Cross patent.*

Mercoid contends that the doctrine of contributory infringement has been limited by *Carbice Corporation* v. *American Patents Corp.*, 283 U. S. 27; *Leitch Manufacturing Co.* v. *Barber Co.*, 302 U. S. 458; *Bassick Manufacturing Co.* v. *Hollingshead Co.* and *Rogers, et al.* v. *Alemite Corp.*, 298 U. S. 415; *Lincoln Engineering Co.* v. *Stewart-Warner Corp.*, 303 U. S. 545; *Philad Co.* v. *Lechler Laboratories, Inc.*, 107 F. (2d) 747 (C. C. A. 2); *B. B. Chemical Co.* v. *Ellis*, 117 F. (2d) 829 (C. C. A. 1); and *J. C. Ferguson* v. *American Lecithin Co.*, 94 F. (2d) 729 (C. C. A. 1). Reliance is placed particularly upon the *Carbice* and the *Leitch* cases, and the statement is made on page 36 of Mercoid's brief that

> "This Court in both of said cases reversed the judgments of the lower courts that the defendants had been guilty of contributory infringement."

The Seventh Circuit of Appeals considered the *Carbice* and *Leitch* cases as well as other cases relied upon by Mercoid and stated,

> "The facts in those cases are readily distinguishable from those here. They are consistent with the ruling in the case of *Leeds and Catlin* v. *Victor, supra*, and are so held by the Supreme Court in the *Carbice* and *Leitch* cases, *supra*." (R. 922).

In the *Carbice* case the patent covered an alleged combination of dry ice and a transportation package in which the dry ice was used as a refrigerant. Dry ice was an old and well-known commodity. It required no special adaptation to be used in the package. It was not even an *active* element of the combination. It was merely a *fugitive* element which was gradually dissipated. This Court denied relief because the patentee sought by its method of doing business to extend the monopoly to unpatented material used in practicing the invention. But the Court was very careful to maintain the doctrine of contributory infringement, as evidenced by the following statement,

> "The case at bar is wholly unlike *Leeds & Catlin v. Victor Talking Machine Co.*, 213 U. S. 325, 333, on which plaintiffs rely. That was an ordinary case of contributory infringement. The Victor Company sold machines embodying a patent for a combination. Leeds & Catlin were held to be infringers because the intended incorporation in the Victor machines of the article which they sold, did not constitute a repair of the machine and hence was not within the license implied on sale."

In the *Leitch* case the patentee was also selling an old and well known commodity, namely, asphalt emulsions and here again this Court found that the patentee sought by its method of doing business to extend the scope of the monopoly. However, this Court again was careful to maintain the doctrine of contributory infringement as evidenced by the statement (302 U. S. 458, 463),

> "Nothing in *Leeds & Catlin* v. *Victor Talking Machine Co.*, 213 U. S. 325, limits it."

In *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495, the patent in suit covered a *process*. Among other things the B. B. Chemical Co. and its licensees had agreed that only the former should be permitted to sell the non-solvent second coat and the so-called "Bostwick second coat". In one of the license agreements granted by the B. B. Chemical

Co. to the H. B. Products Co. elaborate price restriction agreements were included, restrictions which prevented both the licensor and the licensee from selling the non-solvent coating except within the price agreement between the two parties. This Court did not find it necessary to consider the question of contributory infringement, hence, we do not believe it to be necessary to discuss the decision of the Circuit Court of Appeals for the First Circuit in *B. B. Chemical Co.* v. *Ellis*, 117 F. (2d) 829, 834.

In *Philad Company* v. *Lechler Laboratories*, 107 F. (2d) 747, the patent in question was for a *process* of curling hair and the patentee was attempting to control the sale of *apparatus*. Obviously, the apparatus was not a part of a patented combination as in this case.

In *Bassick Manufacturing Co.* v. *Hollingshead Co.* and *Rogers, et al.* v. *Alemite*, 298 U. S. 415, this Court decided that the patent was not for a *valid* combination, therefore, it was unnecessary to consider the question of contributory infringement. In the present case, however, the patent was held to be for a valid combination by the District Court and the Circuit Court of Appeals in the Eighth Circuit in a suit defended by Mercoid. The validity of the patent was not in issue and was conceded in the courts below in the Seventh Circuit.

In *Lincoln Engineering Co.* v. *Stewart-Warner Corp.*, 303 U. S. 545, this Court considered only the question of whether or not the patent covered a valid combination. The reference to *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U. S. 301, had nothing to do with the question of contributory infringement but related only to the question of whether the patent covered a valid combination. The Court cited the *Leeds & Catlin Co.* case merely as an illustration of what it considered to be a valid combination. Hence, the citation of this case is not to be confused with any holding in respect to the doctrine of contributory infringement, because there was no such holding.

In *J. C. Ferguson Co.* v. *American Lecithin Co.*, 94 F. (2d) 729, the patentee was selling a staple commodity *and the court held that its efforts to monopolize the sale* of that commodity was such as to bar recovery under the patent. In that case, as in all of the other cases cited by Mercoid, the patent in suit either was not a valid combination patent or the patentee was using it to restrain commerce in some manner not contemplated by the grant under the Patent Statutes.

The other cases cited by Mercoid are substantially to the same effect:

Barber Asphalt Co. v. *La Fera Grecco*, 116 F. 2d 211, was merely a case of misuse where the patentee attempted to monopolize the sale of an unpatented emulsion used in the performance of the patented process.

Sylvania Industrial Corporation v. *Visking*, 132 F. 2d 947, was a similar case wherein relief was denied because the patentee attempted to confine the use of his invention to preprinting sausage casings manufactured by the patentee.

Novadel-Agene Corporation v. *Penn*, 119 F. 2d 764, considered the question of misuse where the patentee attempted to confine the use of its process patent to customers who purchased a chemical employed in that process from the patentee.

Barber-Colman Co. v. *National Tool Co.*, 136 F. 2d 339, differed from the other cases in that the licensor of a process and machine patent therein attempted to control the sale of the unpatented product yielded by the use of the patented process and machine.

American Lecithin Co. v. *Warfield Co.*, 105 F. 2d 207, is merely another case in which the owner of a patented process attempted to monopolize the sale of an unpatented ingredient employed in that process.

It is undoubtedly true that prior to the Cross invention

there were thermostatic controls of many different types. It is also true, however, that Mid-Continent has never objected to the sale of these old and well-known thermostatic controls (R. 105). It is important to remember, moreover, that a "combustion stoker switch", as the term has been used throughout this litigation, was not a staple article of commerce in 1930. Whatever Mid-Continent did was merely an effort to stop contributory infringement under the doctrine of the *Leeds & Catlin* case.

The decisions cited by Mercoid have not destroyed or limited the doctrine of contributory infringement to prevent its application to the facts in this case.

In fact, at each opportunity this Court has reaffirmed the doctrine of the *Leeds & Catlin* case. In the most recent of the patent opinions in this Court, *United States* v. *Univis Lens Co.*, 316 U. S. 241, the Court ruled that the sale of unfinished lens blanks which embodied essential features of the patented device, although lacking utility until completed, "did constitute contributory infringement by the seller." 316 U. S. 241, 249.

2. Mid-Continent's Alleged Misuse of the Patent.

It has been established by recent decisions that where a patentee seeks to extend the patent monopoly in an unwarranted and unjustified manner he will be barred from relief, at least until the improper practices have been eliminated. This has nothing to do with the validity of the patent sued upon, or its infringement, but rather is an equitable rule which holds that until the plaintiff discontinues its prohibited practices in seeking to extend the patent monopoly in an unwarranted manner, no relief will be granted.

Let us examine Mid-Continent's conduct in the case at hand in the light of this doctrine. There were two ways in which the patent could have been exploited: first, by

manufacturing and selling the patented combination, and second, by licensing others to do so. In the beginning, the Cross Coal-O-Matic Co. (Mid-Continent's predecessor) attempted to follow the first path, but subsequently abandoned it in favor of the second. After the second course had been decided upon, Mid-Continent granted licenses to companies that would take them, offered licenses to the defendant herein, and granted an exclusive license to Honeywell with power to sublicense others. Honeywell, too, offered Mercoid a license. In addition to this, Mid-Continent sent letters charging infringement to unlicensed manufacturers who were infringing or contributing to the infringement of the patent in suit. What course of conduct could be more innocuous than this? There was nothing wrong, nothing conceivably wrong, in it.

After Mid-Continent granted an exclusive license to Honeywell it lost all control over the further licensing of the patent, but retained the right to bring suit against infringers. It was merely this right which Mid-Continent asserted in bringing this action.

Mercoid, however, urged that because the payments of royalties by Honeywell are predicated upon the sale of control switches by Honeywell, Mid-Continent has endeavored in some dark and devious manner to control the sale or resale of control switches as such, and has thereby asserted rights not conferred by the Cross patent.

Let us examine the fallacy of this argument. In the cases upon which Mercoid relies to sustain its position, the patentee was conducting business under the patent, or was making grants of such a nature that they constituted an unwarranted extension of the monopoly. In the case at hand, however, the patentee is not in the business in which it would compete with Mercoid. That eliminates one possible cause for complaint. The grant made by the patent owner to Honeywell was absolutely legal and proper, viz., an exclusive license to a leading manufacturer.

Mercoid does not dispute the propriety of the license to Honeywell, but what it does complain of is the entirely secondary or remote question of the manner in which Mid-Continent and its licensee decided to compute the royalty payable under the grant. This question should not be subject to collateral attack in an infringement suit of this nature. There is nothing illegal about it. So far as the decisions indicate and so long as the grant is proper and commensurate with the scope of the patent, royalties may be arbitrarily computed in any manner and in this particular case they were very carefully computed upon the basis of special controls designed to go into and going into infringing installations.

If the parties had decided that the consideration for the grant would be paid as a lump sum, or as a certain amount for each control manufactured for the purpose of infringing the patent (as they did), that would be a private matter between them. It would have nothing whatsoever to do with constituting an unlawful extension of the patent monopoly. If they made an agreement based upon the number of controls sold for the patented purpose, nothing in that arrangement would prevent the patent owner, Mid-Continent, or its exclusive licensee, from sending letters charging infringement to unlicensed manufacturers who were contributing to the infringement of the patent, as it always had a right to do.

There is no ground in this arrangement for a complaint that this would amount to an unwarranted extension of the patent *grant* because the only *grant* made by Mid-Continent to Honeywell was strictly commensurate with the *grant* that was given by the Government to the patentee. Mercoid has sought to drag a red herring through this case by focusing attention, not upon the nature of the *grant* made by the patent owner to its exclusive licensee, Honeywell, but upon the unrelated question of the method of computing royalties which, as stated, has nothing what-

soever to do with the question of extending the patent monopoly.

The defense of misuse by the patentee is an equitable defense. Mercoid is in a poor position to assert it. If anyone in this case is to be charged with unclean hands, it is not Mid-Continent but Mercoid. When this invention was first exploited, three companies, namely, Mid-Continent (or its predecessors), Penn Electric, and Honeywell, each realized its importance. Penn Electric later ceased the practice of the invention. Honeywell subsequently became licensed under Mid-Continent's patent. What did Mercoid do? Mercoid just copied, just plagiarized, just profited from unlawful infringement, deliberately and with full knowledge of the patent. Mercoid defended and lost the Missouri suit and the appeal that followed it. Mercoid continued its deliberate infringement after the appeal was decided in favor of Mid-Continent. Mercoid refused licenses that were offered. And now Mercoid tries to escape its actions not on any basis of merit, but by asserting a technical equitable defense; a defense founded, it might be said, upon the patent owner's coming into court with unclean hands.

It is submitted that Mid-Continent's hands are clean. If there are unclean hands involved in this controversy which should preclude the assertion of equitable defenses they are represented by the jam-sticky fingers of Mercoid. If there has been any misuse of the patent, it has been by Mercoid's *deliberately teaching the public how to use the Cross invention so that it might sell its own special controls designed and offered for that purpose.*

Cross has invented a new type of heating system which employs in combination certain elements, including controls. Prior to this invention the public did not have any such heating system. Cross added to the sum of human knowledge by disclosing his invention, for which he was

granted the privilege of excluding others from making, using and selling it for a period of 17 years.

Mid-Continent, does not make, use or sell the patented combination or any element thereof. It, therefore, is not in competition with anyone who installs heating systems, or with anyone who manufactures an element of the patented combination. *It receives its sole benefit from the patent* by means of royalty payments which are paid to it by its licensees.

There is no dispute as to whether or not a patentee has a right to license a direct infringer in order that his otherwise illegal acts may become legal. The grant of a patent gives to the patentee the right to exclude others from practicing the patented invention. He can prevent others from doing this or license whomsoever he pleases. A person practicing the invention without a license is an infringer and a patentee has the right to grant a license to such infringer.

It logically follows from this, then, that a patentee should also be able to prevent anyone from contributing to such direct infringement by selling a device specially adapted for the purpose with intent and instructions for committing a direct infringement. If a patentee cannot do this then it must be found that the law of contributory infringement no longer exists.

If a patentee can prevent a person from contributing to the infringement of his patent, which he must be able to do if the doctrine of contributory infringement exists as this Court has repeatedly affirmed, it must logically follow that he can also permit such action by granting a license to one who would otherwise be a contributory infringer. Licensing one who contributes to the infringement of a patent is perfectly proper and legal. Such a licensor cannot be said to be attempting to create a monopoly in licensing the manufacture and sale of a device which con-

tributes to the infringement and is made specifically for that purpose.

In the present situation Honeywell makes and sells a control for the express and sole purpose of using it in a heating system covered by the Cross patent (R. 428). Doing this without a license would make it a contributory infringer. Mid-Continent has done nothing wrong, or in excess of its patent right in granting a license to Minneapolis-Honeywell.

The only alleged complaint which Mercoid seems to have in this respect is in the complaint that the royalty payments which Honeywell pays to Mid-Continent are based on the stoker switch without regard to how or where this switch is to be used. This complaint does not accord with the facts. Counsel for Mercoid had Mid-Continent's witness Cross read into the Record certain paragraphs from the license agreements between Mid-Continent and Honeywell. After having the paragraph relating to the payment of royalties read into the Record, Mercoid proceeded deliberately to mislead the District Court as to the obvious meaning of the paragraph. In each license agreement this paragraph is identical. We direct this Court's attention to what took place during the trial as evidenced by the Record, beginning on page 89:

> "A. 'It is jointly and severally agreed by all of the parties hereto that *royalty payments* to be made hereunder shall be made or *based only upon* what are known to the parties hereto as a "combustion stoker switch" which is specifically herein defined as a combination stoker control unit including an automatic electric switch responsive directly to temperatures of combustion gases or boiler water produced by an automatic coal-fuel stoker and adapted, *in combination with other devices and apparatus for the control of automatically operated coal-fuel stokers, to prevent the extinguishment of its fire when operating under low heat requirment conditions.*'
>
> Q. Then I understand that the royalty paid by

Minneapolis-Honeywell Regulator Company to Cross Coal-O-Matic and the Butler Company were based only upon what is known to the parties as a combination stoker switch, is that correct?

A. I believe that is the way it reads.

Mr. Stone: Your Honor, I do not think that question is complete, 'when used with the rest of the equipment named.'

Mr. Moore: Well, I will read what it states.

The Court: If that is the way it reads; whatever it is it reads, is that the answer?

Mr. Stone: The document speaks for itself, Mr. Moore.

Mr. Moore: I would like to read the document into the record so that the court will have it before it.

Mr. Stone: He just read it.

Mr. Freeman: The witness just read it, did he not?

Mr. Moore: I am emphasizing part of what he did read: 'that royalty payments to be made hereunder shall be made or based only upon what are known to the parties hereto as a combustion stoker switch which is specifically herein defined as a combination stoker control unit including an automatic electric switch responsive directly to temperatures of combustion gases or boiler water produced in an automatic coal-fuel stoker.'

Then it says, 'and adapted' for certain purposes which is an explanatory clause and does not add anything to the definition of the article upon which the licensee paid royalties to the owners of this patent."

According to these license agreements Minneapolis-Honeywell has agreed to pay royalties to Cross on each "combustion stoker switch". This switch is specifically defined in the agreements as an automatic electric switch which is responsive to stack temperatures or boiler water *and which is used in combination with other devices and apparatus to prevent extinguishment of the fire when operating under low heat requirement conditions.* This meaning is perfectly clear that Honeywell does not intend to pay and Mid-Continent does not intend to receive royalties *on*

any switch which is not used for fire maintenance purposes in a system not covered by the Cross patent.

In discussing this method of computing royalties, Mercoid deliberately omits the limiting clause to the effect that the switch is to be used as a holdfire control and attempts to convey the idea that royalty payments are to be made on an unpatented switch regardless of its use. This fact is obvious from that portion of the Record reproduced above.

On page 92 of the Record counsel for Mercoid admitted that he wanted to show the Court that *the royalty is based on the switch and not upon the system as described in the Cross patent.* We believe that this portion of the testimony is important enough to reproduce here.

> "Q. My understanding of that clause is that Minneapolis-Honeywell agrees to pay a royalty on each combustion stoker switch made and sold by it, is that correct?
>
> Mr. Bair: That is objected to. The contract determines what it means, not what counsel understands.
>
> The Court: The objection is good. The contract means what it says.
>
> Mr. Moore: Q. Section 3 then specifies the royalty paid by Minneapolis-Honeywell to the grantors of this license upon each licensed combustion stoker switch?
>
> Mr. Bair: That is objected to as calling for secondary evidence.
>
> The Court: Calling for what?
>
> Mr. Bair: For secondary evidence. The contract itself being the best evidence as to what it calls for.
>
> The Court: Oh, I think he may answer that question. What you are trying to get at, Mr. Moore, as I get it from what you read, is that there was an agreement between these two companies whereby one was to pay 5 percent on each of the switches provided it shall not be less than 75 cents?
>
> Mr. Moore: *I would like to show your Honor that the royalty on this license is based on the switch, the instrument per se, not upon the system, as described in the Cross patent in suit.*

The Court: Does that not say it is based on the switch?

Mr. Moore: It does say it, and I want it to be clearly brought out in the record.

Mr. Stone: *When used in the system.*

The Court: Are you adding something?

Mr. Stone: *That is exactly what he left off, that paragraph.*

The Court: Sir?

Mr. Stone: That is what he left off of it before: the granting paragraph is the controlling paragraph.

The Court: The contract speaks for itself.

Mr. Stone: That is the way I feel about it."

We desire it to be made clear to this Court that the only revenue which Mid-Continent receives from the patent is royalties on each system actually in existence. It receives no benefit from the patent in any other way.

The sale of a combustion stoker switch will establish that within a reasonable time thereafter a heating system covered by the Cross patent will be created (R. 371). We, therefore, submit that this is the only possible way in which royalty payments can be computed. It is not only proper, but royalty payments *must* be made on sales of an element *intended for use in a patented* combination. *Alexander* v. *American Encaustic Tiling Co.*, 207 N. Y. 276; 100 N. E. 809.

It would not be logical to base royalty payments on any other element of the combination. For example, while the room thermostat is an actual element in the combination, it does have other purposes and when such a switch is sold there is no way of determining where or how the switch is going to be used. The same is true of the stoker unless in each case these elements were sold for no other purpose. However, the "combustion stoker switch," which is a phrase first used by Mid-Continent and Honeywell in their license agreement (R. 167), would not be used in any other system (R. 428). Therefore, the sale of such a switch

would be an accurate measure as to the number of Cross heating system installations in existence. The reasoning behind determining the royalty payments in this manner is stated by Cross, beginning on page 107 of the Record, as follows:

"Q. Why did not you attempt to obtain a royalty on the room thermostat, as well as upon the stack switch, using that as a basis for the amount of royalty?

A. We felt that the stack switch was an item added in a certain way to accomplish the operation of this invention and that the measure of the use of the invention would be found by the amount of stack switch sales volume. Correct that. Correct 'stack switch' to 'stoker switch' sales volume.

Q. Was the stoker switch the heart of the Cross invention?

A. Yes. It was.

Q. Would you say that the inventor of this Cross system or the owner of the patent would be entitled to a royalty based upon the selling price of the furnace, the stoker and all of the other controls?

A. No, not in ordinary practice; it would not be.

Q. And why do you feel that way about it?

A. We found that royalty was usually a reasonable amount of money, or else the situation was not very good and did not last long in any event, so we applied the royalty to the specific item and tried to make it reasonable as to the specific item.

Q. And that specific item, which was the stoker switch, was really the heart of this invention?

A. That is true.

Q. *And that is what the Cross patent really added to the prior art?*

A. *That switch and its connections into the system with the thermostat and stoker.*

Q. And you were trying to use that switch as a reasonable method of determining the number of complete installations put in?

A. That is right.

Q. And one switch sold specifically for this job would mean one complete installation some place in the field, would it not?

A. That is true.

Q. So that when you received royalty on a stoker switch, you thus received royalty on one complete installation?

A. That is right.

Q. And you never attempted to extend the extent of your royalty or the extent of your return to other things that Minneapolis-Honeywell sold and used in such installations, such as the room thermostat?

A. No."

Since Mid-Continent has never received royalty on anything other than complete installations coming within the scope of the claims in the Cross patent, we submit that any allegation of misuse of the patent is entirely unfounded.

Mercoid also complains of certain letters and notices which Mid-Continent and Honeywell sent out to the trade notifying the trade of their rights under the Cross patent as licensor and licensee. Mercoid claims such actions constitute unfair competition. On the other hand, Mid-Continent insists that these actions were not only proper but necessary to prevent loss of rights under the patent. Mercoid might just as well say that because a patentee sells his devices and marks them patented this is unfair to those making the same devices who are not entitled to mark them patented. Before a patentee can assert his rights by litigation, it is necessary that he notify would-be infringers of their infringing actions (Title 35, U. S. Code, Sec. 49). Mid-Continent and Honeywell did nothing more than this in notifying the trade of their rights.

It has been held consistently whenever this question has arisen during the course of patent litigation that notices given or circulars distributed to the trade setting forth the patentee's or licensee's rights under a patent, warning against infringement, when made in good faith are proper and in some cases necessary to prevent loss of rights.

Alliance Securities Co. v. *DeVilbiss Mfg. Co.*, 41 F. (2d) 668, 670.

Cheney Co. v. *Cunningham, et al.*, 37 Fed. Supp. 224, 230.

Mercoid has been unable to show any bad faith on the part of either Mid-Continent or Honeywell in the distribution to the trade of the letters and circulars complained of. We assert that these notices were given in good faith in order to protect the rights of all parties concerned. Therefore, Mid-Continent cannot be said to be competing unfairly with Mercoid.

We have shown that Mid-Continent has not committed any act or acts beyond its rights as the owner of a patent. We have shown that all of the actions of Mid-Continent have been within its right under the Patent Laws. It is, therefore, not using its patent to obtain a monopoly in the sale of unpatented appliances, nor can it be guilty of unfair competition.

Neither Mid-Continent nor Honeywell has any control over the other. Their interests are entirely divergent. There is no proof in the record of any conspiracy between them to control the sale of patented or unpatented materials. Mid-Continent has never refused to grant a license under the Cross patent.

Honeywell granted a sublicense to Detroit Lubricator and offered licenses to Penn Electric Switch and Mercoid (R. 425). Honeywell has never refused to grant a license under the patent to anyone.

The decisions relied upon by Mercoid in its discussion of the question of misuse of the patent are essentially the same as those used in connection with the question of contributory infringement and for that reason we do not believe it is necessary to discuss them again in detail. It is Mid-Continent's position that the court below correctly held,

> "The facts in those cases are readily distinguishable from those here. They are consistent with the ruling in the case of *Leeds & Catlin* v. *Victor*, *supra*, and are so held by the Supreme Court in the *Carbice* and *Leitch* cases, *supra*" (R. 922).

3. Alleged Violation of the Anti-Trust Laws.

A patent itself is not a monopoly in accordance
the meaning of that term as used in cases involvin
Anti-Trust Laws. A monopoly is essentially the t
away from the public something which it had before
inventor who obtains a patent on a new combinati
elements is adding to the sum of human knowledg
thereby gives to the public something it did not hav
fore. This is forcefully brought out in *United Stat
Dubilier Condenser Corporation*, 289 U. S. 178, v
Mr. Justice Roberts delivered the opinion of the C
In considering this question of monopoly the Court

> "Though often so characterized a patent is no
> curately speaking, a monopoly, and it is not gr
> by the executive authority at the expense and t
> prejudice of all the community except the grant
> the patent. *Seymour* v. *Osborne*, 11 Wall. 516,
> The term monopoly connotes the giving of an
> sive privilege for buying, selling, working or us
> thing which the public freely enjoyed prior t
> grant. Thus a monopoly takes something fro
> people. An inventor deprives the public from no
> which it enjoyed before its discovery but gives
> thing of value to the community by adding t
> sum of human knowledge (citing cases). He may
> his invention secret and reap its fruits indefin
> In consideration of its disclosure and the conse
> benefit to the community, the patent is granted.
> exclusive enjoyment is granted him for 17 years
> upon the expiration of that period, the knowled
> the invention enures to the people, who are th
> abled without restriction to practice it and prof
> its use."

Under the Patent Laws a patentee has the right to
licenses and it is well settled that he can grant an
sive license or he can grant licenses in different
General Talking Pictures Corp. v. *Western Electri
Inc., et al.*, 305 U. S. 124.

Mercoid says in effect that Mid-Continent violated Section 3 of the Clayton Act (Title 15, U. S. Code, Sec. 14) by granting an exclusive license to Honeywell under the Cross patent. The agreement between Mid-Continent and Honeywell contains no restriction as to price, production or requirement that any materials be purchased from the patentees, as is usually the case where agreements involving patents have been held to be violative of the Anti-Trust Laws.

The cases cited by Mercoid are all clearly distinguishable on their facts.

In *United Shoe Machinery Corp. v. U. S.*, 258 U. S. 451, the licenses all required that supplies to be used on the patented machines be purchased exclusively from the patentee. Obviously this is not the situation here.

In the *Carbice* case, 283 U. S. 27, the owner of the patent was interested entirely in the sale of an old and well-known commodity, dry ice. It did not derive its profit from a royalty under the patent but solely from the sale of the commodity. This is directly the opposite of the present situation in which Mid-Continent, the patent owner, derives its benefit under the patent solely from a royalty and has made every attempt to license manufacturers under the patent. Likewise, Honeywell, the exclusive license, has granted licenses to competitors and has never refused to grant a license under reasonably royalty terms when requested to do so.

The holding of this Court in *Ethyl Gasoline Corp. v. U. S.*, 309 U. S. 436, and the cases cited therein bear no resemblance to the case at bar. There a patentee of a fluid compound sought to control the resale of gasolene treated therewith to the ultimate consumer, not by assertion of any right conferred by the patent but by a series of contracts forbidden by the Sherman Act.

In *Radio Corporation of America v. Lord*, 28 F. (2d)

257, the patentee granted licenses with the express un
standing that an old and well-known accessory the
namely the radio tube, be purchased only from it. Here
patent owner, Mid-Continent, has made no such requ
ment. It is only necessary to compare the license gran
the *Radio* case with the grant of the case at bar to
tinguish the two cases completely. In the former th
cense contained this language:

> "Nothing herein contained shall be construed
> conveying any license * * * to manufacture, us
> sell vacuum tubes, except to use and sell the vac
> tubes purchased from the Radio Corporation * *
> The Radio Corporation hereby agrees to sell to
> licensee * * * vacuum tubes to be used as part
> the circuits licensed hereunder and required to n
> initially operative the apparatus licensed * * *
> sale of such tubes by the Radio Corporation to
> licensee shall not be construed as granting any
> censes except the right to sell such tubes for use
> and to use them in, the apparatus made and sold h
> under."

In the grant from Mid-Continent to Honeywell, no c
parable or even remotely similar restrictive language
be found.

In *Morton Salt Co.* v. *Suppiger*, 314 U. S. 488, this C
found that the patentee was trying to tie up the sale
an old and well-known product, namely, salt, in conju
tion with its use in certain types of machines. This i
be clearly distinguished from the present situation wh
in Mid-Continent has complained only as to special
vices and has derived its profit under the patent *so*
from royalties.

The allegations in Mercoid's brief, page 40, that
sponden ts conspired to violate the Anti-Trust Laws,
without foundation. The record clearly shows that M
Continent had no control over Honeywell and acted in
pendently (R. 434); likewise, Honeywell had no con

over Mid-Continent and also acted independently (R. 431-432). While Honeywell distributed the controls of the system through dealers, nothing in the agreement with Mid-Continent would have prevented Honeywell from installing the whole system.

Under the Patent Statutes Mid-Continent had the right to notify infringers and indeed was compelled to do so if it expected to recover damages. All notices sent by Mid-Continent which mentioned controls carefully specified the purpose for which the controls were used.

The various letters from the trade, referred to on page 41 of Mercoid's brief, at the most indicated some confusion as to the patent situation, but at the same time it was evident that the trade did not consider that the controls had to be purchased from Minneapolis-Honeywell. For instance, the Brownell letter quoted on page 41 refers to Mercoid's M-51 control. As has been repeatedly stated heretofore, no complaint was made by Mid-Continent to Mercoid against the use of this control. This control was not the one which Mercoid sold especially and manufactured especially for use in the Cross type installation. It was used in the Smith installation in the *Missouri suit* to prevent overheating of the furnace but in such use did not form a part of the patented combination.

Mercoid's allegations that the actions of Mid-Continent or Honeywell created a monopoly in controls are not supported by the evidence. Mercoid says that despite the fact that stoker sales increased, its business did not *increase* (Mercoid's brief page 44) in accordance with the great increase in the use of coal stokers. However, Mercoid's business did not decrease. Mercoid did about 7% of the business in 1931 and about 7% in 1937 (R. 358-359), and its *volume* of business increased enormously (R. 352). Sales promotion, number of salesmen, advertising, quantity of equipment, price, and other factors would have to be considered to determine whether Mercoid's percentage

business should have increased. On these the record is silent.

The figures relied upon by Mercoid to show an increase in stoker sales include both the Cross type system (temperature controlled fire maintenance) and the timer controlled system, the latter including Iron Fireman and Sears, Roebuck, which were conceded by Mercoid to be the leading factors in the industry (R. 365). The record does not give a breakdown of figures to show what percentage of the stoker sales involved the timer systems and what percentage the Cross type installations, but it was conceded by Mercoid's witness that a relatively large percentage of the installations were of the timer type (R. 364-365); hence, Mercoid's contentions about monopoly seem far-fetched.

Both of the courts below found that Mercoid was not damaged, which findings are very clearly supported by the evidence. No evidence is brought to the attention of this Court which warrants disturbance of those findings.

Mercoid here seeks "an accounting * * * to determine the damages which petitioner is entitled to recover from respondents." Mercoid cites the opinion in *Story Parchment Co.* v. *Peterson*, 282 U. S. 555, an action at law for damages under the Sherman Act, ruling that the jury may fix the damages although the result be only approximate. The case in no way affects the law as laid down by this Court in *Fleitmann* v. *Welsbach Street Lighting Co.*, 240 U. S. 27, holding that the statutory penalty of triple damages under the Sherman Act can only be recovered in action at law.

The pleadings in this case leave no question that Mercoid brought its counterclaim in equity for injunctive relief and at no time attempted to assert an action for damages under the statute (R. 20-21, 50-56). Damages are not recoverable as an incident to the injunctive relief. *Decorative Stone Co.* v. *Building Trades Council*, 23 F. 2d 426.

4. Res Adjudicata.

Mid-Continent insists that all issues relating to Mid-Continent's alleged misuse of the patent or any alleged violations of the Anti-Trust Laws are *res adjudicata* against the defendant Mercoid by reason of the *Mid-Continent* v. *Smith* suit and Mid-Continent's contentions on the question of *res adjudicata* were sustained in the court below.

There is no controversy over the fact that Mercoid openly conducted and controlled the defense in the *Mid-Continent* v. *Smith* suit. The counsel for the defense was hired by Mercoid to defend that suit, and Mid-Continent knew at that time that the defense was being conducted and controlled by Mercoid (R. 52).

In *Mid-Continent* v. *Smith*, Plaintiff's Exhibit 27, on page 14 the following Finding of Fact No. 16 appears:

> "* * * The Mercoid Corporation, through its attorney, Mr. Langdon Moore and Mr. Arthur C. Brown, undertook the complete defense of this action, both in its own behalf and in behalf of the defendant E. O. Smith and the Mercoid Corporation is defraying all of the expenses connected with the defense of the action."

Mercoid knew about Mid-Continent's actions and knew of the license agreement between Mid-Continent and Honeywell prior to 1935, the date the *Mid-Continent* v. *Smith* suit was instituted, and therefore could have asserted in that suit any defense relating to Mid-Continent's actions. The doctrine of *res adjudicata* applies where a party other than the defendant of record defends and controls the litigation and applies not only as to all issues which were actually litigated, but also as to all issues which could with propriety have been raised.

In 1930 Mercoid knew of the Cross patent and had discussed with Honeywell the possibilities of obtaining a license thereunder. Defendant's Exhibit B-B (R. 327, 632)

is a copy of a letter from Mercoid to Honeywell wherein the second paragraph of that letter reads as follows:

> "I have been waiting to hear from both you and Van as to your attitude as regards a license. While waiting for your suggestions, we had our patent attorneys continue their search and as a result of it, I believe that the royalty arrangement that is made with Cross, if any is made, should be on a lower royalty basis than originally suggested."

In February of 1932, after Honeywell had obtained a license under the Cross patent, it notified several stoker manufacturers of this fact. This came to the attention of Mercoid through letters, such as the letter from the Brownell Company on March 3, 1932 (Def. Exh. G-G, R. 642), and the letter from the Will-Burt Company dated February 29, 1932 (R. 648). Both of these letters enclosed copies of the Honeywell notice to the effect that it had acquired a license under the Cross patent.

Since the license agreement between Mid-Continent and Honeywell was entered into in December, 1931, and, since Mercoid knew of this license at least as early as February, 1932, if Mercoid believed that this action on the part of Mid-Continent was a misuse of the patent or was an attempt to monopolize beyond the scope of the patent, Mercoid could have asserted this in 1935 when they defended the Smith suit.

A defense of this nature is very general and was available to Smith in the Missouri suit, and therefore to Mercoid, which controlled the defense of that suit. Mercoid could have asserted this defense at that time if it had chosen to do so, but, since it did not and preferred to rest its case on the invalidity and noninfringement of the patent, it must be held to be estopped from raising that defense at this time by reason of *res adjudicata*.

This Court said in *Toledo Scale Co.* v. *Computing Scale Co.*, 261 U. S. 399, 424, 425.

"We can not know what the result of the hearing would

have been on this issue if tried, because only one side is presented. We are prevented from knowing it by a most salutary rule of law which after parties have had a full and fair opportunity to prepare their case, refuses to permit them to drag out litigation by bringing in new evidence which with due diligence they ought to have discovered before the hearing. The apparent hardship of particular cases should not and can not weigh against the application of this sound principle. As Mr. Justice Story remarked in *Ocean Insurance Co.* v. *Fields*, 2 Story, 59; 18 Fed. Cas. 532, 'It is for the public interest and policy to make an end to litigation, or, as was pointedly said by a great jurist, that suits may not be immortal, while men are mortal.'"

In *Doherty Research Co.* v. *Universal Oil Products Co.*, 107 F. (2d) 548, 550, the Circuit Court of Appeals for the Seventh Circuit made the following statement,

> "There is no controversy as to the law applicable in case knowledge is found to exist. The doctrine of *res adjudicata* applies where a party other than the defendant of record defends and controls the litigation."

In the Circuit Court of Appeals for the Sixth Circuit it was held that a decree in a former suit for infringement, the defense of which suit was controlled and conducted by the manufacturer even though not a party to the suit, was conclusive upon him in a subsequent suit against the manufacturer by the same complainant as to all matters of fact and law litigated and determined. *D'Arcy* v. *Staples and Hanford Company*, 161 Fed. 733, 737.

In the present instance, since Mercoid openly defended the Smith suit, there can be no controversy as to whether or not Mercoid was in privity with Smith in the former case. Also in the Circuit Court of Appeals for the Sixth Circuit there occurred a similar situation to that which we have here in *Warford Corporation, et al.* v. *Bryan Screw*

Machine Products Co., et al., 44 F. (2d) 713, 714 and 715. In that case the Court said:

> "There can be no doubt that the decree in the Riordan case is conclusive and binding upon the parties of record in that proceeding, not only as to all matters therein adjudicated, *but also as to every matter which might have been offered to sustain or defeat the claims and defenses thereto asserted.* The primary question here is whether the defendants in this proceeding were in privity with Riordan in the former case as alleged in the bill * * *. The proofs show that that company, upon the filing of the suit, immediately took charge and control of the case through its attorney whom it employed and paid and who, in addition to filing an answer and interrogatories, made an investigation of the prior art in Washington and New York in preparation for the trial. We think it was in privity with Riordan in that action."

We therefore submit that the doctrine of *res adjudicata* applies against Mercoid by reason of its having conducted and controlled the defense in *Mid-Continent* v. *Smith*.

This doctrine applies against Mercoid not only as to all matters which were actually litigated in the former case, but also as to all matters which could have been asserted there. There is ample authority to support this contention, and one of the most recent is *Galion Iron Works and Mfg. Co.* v. *J. D. Adams Mfg. Co.*, 128 F. (2d) 411, 414. The Court, speaking through Judge Lindley, there stated:

> "A judgment on the merits, rendered in a former suit between the same parties or their privies, on the same cause of faction, by a court of competent jurisdiction, operates as an estoppel, not only as to every matter which was offered or received to sustain or defeat the claim, *but as to every other matter which might with propriety have been litigated and determined in that action.*"

This Court in the Adams case merely repeated the rule of law which it stated a number of years earlier in *David*

Bradley Mfg. Co. v. *Eagle Mfg. Co.*, 57 Fed. 980, 985. In that case the plaintiff brought an infringement suit against a branch of a company which was manufacturing the infringing device. The defense was conducted and controlled by the company. Later a suit was filed against the manufacturer who set up the same defenses as in the earlier suit, as well as some further defenses regarding anticipation of the patent. The Court proceeded to hold that all of the defenses set up in the first suit were *res adjudicata* in the later suit and, since the further defenses of anticipation might have been brought up in the first suit, they were also *res adjudicata* in the later suit.

This rule of law is also followed in the Sixth Circuit where, in *General Motors Corporation* v. *Swan Carburetor Co.*, 88 F. (2d), 876, 884, that Court held that the estoppel of a prior judgment extends to the matters litigated *or which might have been litigated* in the former case.

In summarizing Mid-Continent's position on the question of *res adjudicata*, it is clear that at the time the Smith suit was instituted in 1935 Mercoid was well informed as to Mid-Continent's actions, not only as to how it was asserting its rights by notifying infringers but also as to its license agreement with Honeywell. The effect of those actions was no different in 1940 from what it was in 1935 and any assertion by Mercoid that Mid-Continent's actions were such as to constitute a misuse of the patent or an attempt to monopolize in violation of the Anti-Trust Laws, that was available to Mercoid in 1935 as a defense in the Smith suit.

The overwhelming weight of authority has been shown to be that one who controls and conducts the defense in an earlier suit cannot in a later suit brought by the same plaintiff raise any defenses which were actually asserted at the time of the earlier suit or which could have been asserted at that time. Since the defense of misuse of the patent was available to Smith and Mercoid in 1935, Mercoid cannot now

raise that defense for the first time, it being estopped to do so under the doctrine of *res adjudicata.*

Mercoid concedes that the validity of the patent is *res adjudicata* as between Mid-Continent and Mercoid (Mercoid's brief, page 47), but contends that it can re-assert the invalidity of the patent because Honeywell was not a party to the Missouri suit (the *Smith* case). This contention is without merit because Honeywell as exclusive licensee could have been brought into the Missouri suit by Mercoid, which controlled that suit, in the same manner that it was brought into the present suit, namely, under the authority of *Independent Wireless Telegraph Co.* v. *Radio Corporation of America,* 269 U. S. 459.

Honeywell, as Mid-Continent's licensee, was just as much bound by the Missouri suit as to issues which were presented or imght have been presented as was Mercoid. On the other hand, there was no particular reason for Honeywell to intervene as a party plaintiff in that suit because it would have meant that Honeywell would have been seeking to sustain the validity of the patent, which in turn required that it continue to pay royalties under the patent, whereas if the patent were held invalid Honeywell's obligations to Mid-Continent would cease. Honeywell had no desire to pay tribute to the Cross patent if it could have avoided it.

In *Sola Electric* v. *Jefferson Co.,* 317 U. S. 173, the question of *res adjudicata* was not involved. The case, therefore, is not believed to be in point.

The District Court below permitted Mercoid to introduce over Mid-Continent's objection a vast amount of immaterial and irrelevant evidence relating to the prior art including a number of patents and Mercoid's reasons for introducing this material were not understood by anyone, including the trial court. Mercoid pleaded that the patent was valid (R. 44). It repeatedly conceded that the validity of the

Cross patent was not an issue in the courts below (R. 82, 149, 190, 205, 258).

However, the Circuit Court of Appeals mentioned in passing that it had considered whether or not it should go into the question of validity and decided there were no grounds for so doing. One of its considerations was that of the public interest. Mercoid now says that this Court should hold the patent invalid as against the public interest with no record upon which to base such a holding.

The cases of *Muncie Gear Works* v. *Outboard Marine Mfg. Co.*, 315 U. S. 759, and *Densmore* v. *Scofield*, 102 U. S. 375, are not in point here.

In the *Muncie Gear* case the Court found that there was public use and sale of devices

> "embodying the asserted invention, more than two years before it was first presented to the Patent Office."

In the *Densmore* case the validity of the patent was directly in issue in the court below and the patent was held to be invalid, whereas in the present case the validity of the patent was pleaded and conceded by Mercoid in the courts below and was sustained by both the District Court and the Court of Appeals in the Missouri suit.

In *Haughey* v. *Lee*, 151 U. S. 282, the validity of the patent was directly in issue in the courts below and this case, therefore, falls in the same category as the Densmore case.

In *Paramount Publix Corp.* v. *American Tri-Ergon Corp.*, 294 U. S. 464, one of the questions involved (the one to which Mercoid's brief refers on page 50) was whether a defendant sued for patent infringement was estopped to set up the defense of no invention by reasons of having himself applied unsuccessfully for a patent covering the same claims. Obviously this question is not presented in the present situation and therefore the case is not in point.

Conclusion.

The opinion in the Court below was based upon a thorough examination of the record and a thorough knowledge of the principles of law involved. The conclusion that the Missouri suit was *res adjudicata* against Mercoid as to all issues which were or which might have been raised was sound. The defense in the Missouri suit of invalidity of the patent was raised and was conceded to be *res adjudicata* in the court below. The defense of improper use of the patent and violation of the Anti-Trust Laws could have been raised in the Missouri suit. The scope and basic interpretation of the patent were established against Mercoid in the Missouri suit. The facts in this case do not warrant any change in the law of contributory infringement for the benefit of one who has deliberately and flagrantly disregarded the Cross patent by teaching others how to infringe it with wiring diagrams and literature in order that it might sell its controls specifically built for that purpose.

The judgment of the court below should be affirmed.

Respectfully submitted,

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October 14, 1943.